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U.S. House of Representatives

Committee on Resources

Subcommittee on Energy and Mineral Resources

Field Oversight Hearing

Reno, Nevada

September 29, 2003

"Responsible Domestic Resource Development and Economic Stability

– The Role of the Hard Rock Mining Industry"

Statement of Alan R. Coyner

Administrator, Nevada Division of Minerals

Thank you, Mr. Chairman and members of the subcommittee, I appreciate the opportunity to testify today regarding the role of the hardrock mining industry in the responsible development of our domestic mineral resources and the economic stability afforded by mineral development. My name is Alan Coyner and I am the Administrator of the Nevada Division of Minerals, and on behalf of Governor Guinn, allow me to welcome the subcommittee to the State of Nevada.

The theme for this hearing is very much in keeping with the division's mission, which is to further the responsible development and production of Nevada's mineral resources to benefit and promote the welfare of the people of Nevada. Today I will present information from Nevada that I believe exemplifies responsible mineral development. I will also provide information that demonstrates an ongoing concern whether Nevada is competitive in the global competition for exploration dollars. These exploration dollars are critical to the new mineral discoveries that will provide economic stability in the future for Nevada, and especially to our rural communities.

It is entirely appropriate that this hearing be held in Nevada, the nation's leading producer of hardrock minerals. We lead the United States in gold and silver production, as well as barite, lithium and magnesium compounds, and several other mineral commodities. Mining is our state's second largest industry, with a total value of mineral production in 2002 of approximately \$2.8 billion dollars. Precious metal production accounted for about \$2.5 billion or 90% of that total. The 7.7 million ounces of gold that poured from Nevada's mines in 2002 makes us the third largest producer in the world, behind only the countries of South Africa and Australia. Our major producing region, the Carlin trend, surpassed 50 million ounces of total gold production in 2002, a record equaled by only four other mining districts on the planet. With Nevada's vast mineral endowment, clearly the future of hard rock mining in this country and the future of Nevada are inextricably entwined.

Responsible development and modern mining are synonymous. Reclaiming the land after mining has ceased is now standard practice and has been for many years. For the past 13 years the Governor has presented the Nevada Excellence In Mine Reclamation Awards and during that time recognized 45 projects and three individuals for outstanding accomplishments in restoring and preserving Nevada's environment. The awards are given cooperatively by the Nevada Division of Minerals, the Nevada Division of Environmental Protection, the Nevada Division of Wildlife, the Bureau of Land Management, and the United States Forest Service, making the selection process a true collaboration. Many of the projects are unique in the United States, if not the world. Each year the regulatory bar that defines "above and beyond mandated reclamation performance standards" has been raised, and each year Nevada's mining industry has responded with ever-higher levels of commitment to excellence in mine reclamation. At this very time, several Nevada projects are being considered for the first BLM National Hardrock Mineral Environmental Awards, and I am hopeful that a Nevada project will be selected.

If responsibility includes leadership, Nevada's mining industry again sets the standard. Annually over the past five years, approximately \$100 million dollars in taxes of various types have been paid by the Nevada mining industry, and a substantial portion remains in counties where the mines are located. Whether it is donations to the McCaw School of Mines in Henderson, where schoolchildren can have an underground mine experience, or help for the Elko Little League in heart of mining country, Nevada's miners strike pay dirt for leadership in civic responsibility.

Economic stability and hardrock mining would seem to be incompatible. Orebodies, which is rock from which a valuable constituent, usually a metal, can be profitably extracted, are finite. In fact, most maps of Nevada

show many places labeled “sites”, which are in reality mining ghost towns. Places where people lived and worked, but moved on when the ore ran out. If orebodies are “finite” and mines have “lives”, how can mining provide economic stability?

The answer to that question can be approached from many aspects, but I will focus on one. The continuation of economic stability, and therefore sustainability, relies heavily on the discovery and development of new mines. New mines are found through the investment of exploration dollars in search of new orebodies, and Nevada is in a global competition for exploration dollars. For the past 9 years, the Division of Minerals has tracked exploration activity in Nevada through filings made by mining companies to the state mine registry. Two of the main indicators of activity are exploration expenditures and the number of active mining claims held by companies

and individuals. In 2002, respondents to the survey reported spending \$64.6 million on Nevada exploration activities. While this number is up slightly from 2001, it is significantly less than the \$154 million reported in 1994. Over the past seven years Nevada’s largest mining companies have spent on average less than 20% of their exploration dollars in the state, sending nearly all the remainder overseas.

The other major indicator of activity is the number of active mining claims. Mining claims in Nevada peaked at 425,000 in 1991 and have declined steadily ever since. A one-time loss of approximately 200,000 claims occurred in 1993 after the enactment of a Federal mining claim maintenance fee. The \$100 fee per claim paid annually by Nevada’s miners continues to flow to the federal treasury. It is not shared with the state of origin like other mineral fees, and it is not put a productive use such as the reclamation of historic abandoned mine lands. According to BLM’s Public Land Statistics, active claims in Nevada reached a 25-year low of 88,124 in 2002, and nationwide claims dropped below 200,000 for the first time since BLM began publishing claim records in 1978. Simply put, fewer claims means less activity, and less activity means fewer discoveries. That, Mr. Chairman, directly impacts the economic stability of Nevada.

Recent increases in the price of gold have led to renewed optimism among exploration companies and individual prospectors. Early reports for 2003 claim data indicate the downward trend has stabilized or even reversed. Hopefully this will translate into a resurgence of exploration and mineral development in Nevada. However, constant vigilance is required. Burdensome mining fees, duplicative regulations, and unnecessary permit delays lead to economic instability, not stability. We are in a global competition for responsible mineral development, and Nevada cannot afford to fall behind. Thank you.